

Message Text

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TO AMEMBASSY ANKARA PRIORITY
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E.O. 11652: GDS

TAGS: EFIN, TU

SUBJECT: EXIMBANK RESTRUCTURING OF SHORT-TERM SUPPLIER
CREDITS

REFERENCE: STATE 47227

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1. GUVEN OF TURKISH EMBASSY MET WITH EXIMBANK CHAIRMAN
MOORE ON 24 FEB. TO PRESENT GOT CASE FOR EXTENDED TERM ON
RESTRUCTURING OF PAST DUE INSURED SHORT-TERM SUPPLIER
CREDITS. IN LETTER OF 21 FEB. GUVEN, UPON INSTRUCTIONS,
SUBMITTED FORMAL REQUEST FOR EXTENSION OF TERM TO SEVEN
YEARS, INCLUDING THREE REPEAT THREE-YEAR GRACE PERIOD
(NOT TWO YEARS' GRACE, AS MOF WAS REPORTED TO HAVE
REQUESTED OF AMEMBASSY ANKARA).

2. GUVEN REVIEWED STABILIZATION MEASURES WHICH HAD BEEN AND WERE PLANNED TO BE TAKEN BY GOT. SAID GOT RESOLVED NOT TO RESORT TO SHORT-TERM BORROWING FOR REFINANCING EXISTING DEBTS OR FRESH BORROWING.

3. GUVEN SAID HE HOPED VERY SOON DISCUSSIONS WOULD RESUME WITH IMF. DID NOT THINK THEY WOULD TAKE LONG TO FINALIZE ARRANGEMENT. GOT HAD DECIDED FIRST, HOWEVER, TO TAKE NECESSARY ECONOMIC MEASURES.

4. GUVEN SAID EXIMBANK EFFORT TO SETTLE COMMERCIAL ARREARS WAS APPRECIATED BY HIS AUTHORITIES. ACKNOWLEDGED THAT CERTAIN UNDERSTANDING HAD BEEN REACHED IN ANKARA WEEK OF JAN. 9, BUT THAT IT HAD BEEN WITH A NEW GOVT IN TRANSITION, EVEN BEFORE VOTE OF CONFIDENCE, AND THUS BEFORE GOVT HAD SUFFICIENT INFORMATION TO GAUGE SITUATION. GOT NOW CONCLUDED IT NEEDED LONGER TERM.

5. CHAIRMAN SAID HE HAD ASSUMED WE HAD AN AGREEMENT IN ANKARA, AND WONDERED IF IT HAD BEEN REVERSED AT A HIGHER LEVEL. SAID HE WOULD FEEL MORE COMFORTABLE IF WE HAD A REGULARIZED ARRANGEMENT (AS CONTAINED IN EXIM COMMITMENT), AND LATER WORKED FROM THERE FOR A MODIFICATION.

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6. GUVEN SAID IT WAS VERY IMPORTANT BECAUSE THIS WAS FIRST TRANSACTION OF THE KIND, AND IT WOULD SET AN EXAMPLE FOR ARRANGEMENTS WITH OTHERS. HE WAS ASKED IF GOT HAD TALKED WITH OTHERS, BUT REPLIED HE HAD NO INFO.

7. CHAIRMAN SAID, AS USG AGENCY, WE WOULD LIKE TO BE AS HELPFUL AS WE COULD; PROBLEM WAS TO KNOW OVERALL PICTURE. NORMALLY SHORT-TERM DEBTS WOULD NOT EVEN BE INCLUDED. THIS WAS UNUSUAL SITUATION IN WHICH NEED WAS PRIMARILY TO RESOLVE SHORT-TERM DEBT SITUATION AND NOT TO RESCHEDULE LONG-TERM DEBT, BUT WE HAD NO WAY OF KNOWING WHAT WAS WORKABLE.

8. IT WOULD BE BETTER IF THERE WERE A WAY OF COMING TO AN INTERIM ARRANGEMENT, CHAIRMAN SAID. TECHNICALLY, MAYBE WE DIDN'T HAVE BINDING AGREEMENT IN PRINCIPLE. BUT UNTIL WE KNEW BETTER HOW RESTRUCTURING FIT WITH EVENTUAL IMF PACKAGE, WE COULDN'T MAKE DEFINITIVE ARRANGEMENT. BANK COULD COME UNDER CRITICISM FOR STRETCHING OUT TERM WITH ONLY SKETCHY INFORMATION, WHICH MIGHT ALSO TAKE AWAY PRESSURE TO TAKE NECESSARY MEASURES.

9. CHAIRMAN SAID ARRANGEMENT HAD ADVANTAGE TO TURKEY GENERALLY. IT WOULD CHANGE WHOLE PICTURE BY TAKING OUT NUMEROUS INSURED PRIVATE CREDITORS, WHO WOULD CONTINUE TO BE INVOLVED (ON 5 PERCENT RETENTION OF RISK) IF WE DIDN'T COME TO AGREEMENT. ARRANGEMENT HAD A NEATNESS TO IT.

10. BY END OF THIS YEAR WE WOULD KNOW BETTER WHAT WAS REQUIRED. CHAIRMAN ASSURED GUVEN OF USG WILLINGNESS, WHEN IT KNEW FULL PICTURE, INCLUDING STABILIZATION

MEASURES AND IMF AGREEMENT, TO COMPLY WITH NECESSARY LIMITED OFFICIAL USE

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SCHEDULE.

11. CHAIRMAN ASKED IF THERE WASN'T AN IN-BETWEEN SOLUTION. SAID HE DIDN'T THINK BANK COULD REACH FINAL SOLUTION UNTIL AFTER IMF ACTED.

12. CHAIRMAN SAID WOULD CONSIDER REQUEST SERIOUSLY, AND TALK TO OTHER CONCERNED USG AGENCIES. MEANWHILE REQUESTED GUVEN TO ASK ANKARA IF GOT COULD FINALIZE AGREEMENT AS IS. BANK MIGHT OUTLINE STEPS BY WHICH IT COULD CONSIDER LONGER TERM. REITERATED THAT BANK HAD ACTED ON FORMAL COMMITMENT WITH UNDERSTANDING IT WAS AUTHORIZED TRANSACTION.

13. CHAIRMAN WAS RELUCTANT TO THINK EXIMBANK COULD TAKE LEAD IN STRETCHING OUT TERM AT THIS TIME. MAYBE GOING FORWARD WE COULD SAY WE MIGHT DO A TWO PLUS TWO OR TWO PLUS THREE-YEAR TERM IF OTHERS DO THE SAME. HE COULDN'T BE OPTIMISTIC UNDER PRESENT CIRCUMSTANCES, BUT PROMISED TO FOLLOW SITUATION AND BE AS COOPERATIVE AS POSSIBLE.

14. CHAIRMAN ASKED GUVEN TO BE SURE TO REPORT ARRANGEMENT HAD SIMPLIFYING EFFECT, MOVING FROM SUPPLIERS TO EXIM.

15. CHAIRMAN NOTED BANK HAD TROUBLE (PARA 7 REFTTEL) FOLLOWING ARITHMETIC AND ANALYZING BASIS OF REQUEST FOR EXTENSION, AND UNDERSTANDING WHY PRESENT ARRANGEMENT WOULD NOT DO. ANYTHING FURTHER WOULD ALLOW TURKEY TO PAY SOME OTHER CREDITORS AHEAD OF US. GUVEN HAD MENTIONED WILLINGNESS OF BANKS TO ROLL OVER DEBT. ON CLD'S, WHICH GUVEN SAID HAD AVERAGE ORIGINAL MATURITY LIMITED OFFICIAL USE

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OF 18 MOS., CHAIRMAN DOUBTED GOT COULD SUCCESSFULLY
ASK BANKS TO TAKE 3 YEARS' GRACE PLUS 4 YEARS TO REPAY.

16. CHAIRMAN CONCLUDED BY ASKING GUVEN TO KEEP IN MIND
NEED FOR PARALLEL TREATMENT APPROPRIATE TO COMPARABLE
CATEGORIES OF THE VARIOUS CLASSES OF DEBT. HE REASSURED
HIM OF BANK'S WILLINGNESS TO BE FLEXIBLE AND HELPFUL,
BUT SAID THAT ANY EXTENSION DEPENDED ON A REVIEW AFTER
THE FACT.

17. GUVEN SAID HE WOULD REPORT THAT EXIM WOULD GIVE
SERIOUS CONSIDERATION TO REQUEST FOR EXTENSION, BUT HE
DIDN'T SEEM TO FEEL THAT GOT WOULD BE WILLING TO ACCEPT
AGREEMENT AS IS ON PRESENT TERMS AS INTERIM MEASURE, AND
EVEN WHEN DIRECTLY ASKED APPEARED RELUCTANT JUST TO

REPORT CHAIRMAN'S REQUEST THAT THEY CONSIDER PROCEEDING
ON PRESENT BASIS SUBJECT TO LATER REVIEW.

18. EMBASSY REQUESTED TO REVIEW FOREGOING WITH MRS.
OYMEN OF MOF, AND PRESS CHAIRMAN'S REQUEST ON HER
AND GUCAVAS, UNDERLINING CHAIRMAN'S PESSIMISM ABOUT
BANK'S ABILITY TO JUSTIFY AND ACCEDE TO REQUESTED
EXTENSION AT THIS TIME. YOU MAY WISH TO ALLUDE TO
ADVERSE EFFECT ON PENDING LOANS (PARA 6 REFTL) OF
FAILURE TO CONCLUDE AGREEMENT. PLEASE ALSO ASCERTAIN
IF GOT HAS APPROACHED OTHER EXPORT CREDIT AGENCIES, AND
WITH WHAT RESULTS. YOU MAY ALSO WISH TO REVIEW WITH
CANEVI OF CENTRAL BANK AND WITH CITICORP. BANK PLANS
REVIEW WITH WOODWARD OF IMF. IF ASKED, YOU MAY INDICATE
UNDERSTANDING THAT BANK WILL HOLD UP ACTION ON GOT
REQUEST PENDING REPORT ON MOF REACTION TO CHAIRMAN'S
REQUEST. IF WE REMAIN AT IMPASSE, MATTER MAY AT LEAST
HAVE TO AWAIT VISIT OF GOT DELEGATION TO WASHINGTON FOR
IMF DISCUSSIONS. VANCE

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